Opening of Tobacco sector for foreign investment

33. SHRI GURUDAS DAS GUPTA
SHRI J. CHITHARANJAN:

Will the Minister of INDUSTRY be pleased to state:

(a) whether Government have decided to fully open up the Tobacco sector for foreign investment; and

(b) if so, the details thereof and the reasons therefor?

THE MINISTER OF INDUSTRY (SHRI SIKANDER BAKHT): (a) and (b) The existing guidelines for consideration of FDI proposals by FIPB do not stipulate any ceiling on the extent of foreign equity participation inter-alia in sectors pertaining to consumer non-durables, which include cigarettes. However, as there has been no precedent of 100% FDI approval in cigarettes so far, it was felt necessary to clarify the position vide Press Note No. 11 (1998 series) dated 27th August, 1998, that proposal for manufacture of cigarette with Foreign Direct Investment (FDI) upto 100% shall be considered by the Foreign Investment Promotion Board (FIPB) subject to the provisions relating to compulsory licensing under the Industries (Development & Regulation) Act, 1951. This has been done with a view to lend greater transparency in decision making.

FDI and Balanced Industrial Development

34. SHRI RAJUBHAI A. PARMAR:
SHRIMATI VEENA VERMA:
SHRI AKHILESH DAS:

Will the Minister of INDUSTRY be pleased to state:

(a) the number and details of Foreign Direct Investment proposals approved by FIPB this year, so far, alongwith the comparative figures of such investment proposals during 1997 and 1996 and the actual investments made therein;

(b) what steps have been taken to see that it does not aggravate the already recession-stricken industry in India; and

(c) what other measures have been taken for a balanced industrial development of the country, giving priority to under developed and non-industrial districts?

THE MINISTER OF INDUSTRY (SHRI SIKANDER BAKHT): (a) A total number of 960 proposals both financial and technical have been approved this year upto October, 1998. Comparative figures of such investment proposals during 1997 and 1996 (Jan-Oct) and the actual investment made therein are as under:

Period (Jan-Oct)	Total No. of FDI approvals (Fin+Tech)	Amount Rs. in Crore	Inflows
1996	960	27489.83	4631.72
1997	1028	38257.59	8598.42
1998	960	23546.12	7340.97

(b) Various measures have been announced for growth of the economy and to boost industrial growth. Some of the important measures are:

- De-licensing of Coal and lignite and petroleum refining and sugar, to attract larger inflow of capital;
- Increase in the limit for investment by Non Resident Indians, and Foreign Institutional Investors to 40% and increase in the turnover limit in excise duty exemption for the Small Scale Industries from Rs. 30 lakhs to Rs. 50 lakhs and normal rate of 5% duty for clearance between Rs. 50 lakhs to Rs. 100 lakhs;
- Rationalisation of tariff structure to remove disadvantages faced by the domestic industry. The disadvantages on account of non-payment of sales tax by imports has been balanced by levying a special additional duty on customs @ 4%;
- Various measures to boost investment and revive capital market such as permission to buy back shares and inter corporate loans.
- Increase in plan outlay for key infrastructure sectors of energy transport and communication for development of infrastructure facilities;
- The Busy Season Credit Policy announced by Reserve Bank of India has consciously avoided raising the interest rates so that industrial recovery is not adversely affected;

The Government is conscious of the need of revival of the industrial sector and has constituted 4 Task Forces to recommend ameliorative measures. The recommendations of the Task Forces have been submitted to Government and policy announcements relating to these sectors are expected shortly;

Economic Advisory Council and the Advisory Council on Trade and Industry to suggest specific measures to improve the industrial climate have been constituted.

(c) Balanced regional development through locational dispersal of industry has been one of the principal objectives of the successive Five Year Plans. Government has provided various incentives\consessions from time to time, the important ones being the Growth Centre Scheme, Transport Subsidiary Scheme and the Integrated Infrastructure Development Scheme (IIDS). To tackle the problem of industrial backwardness of North-Eastern Region and attracting investments for setting up of industrial units in the north east a new Industrial Policy for the North Eastern Region was announced by the Government on December, 1997.

Industrial growth

35. PROF. VIJAY KUMAR MALHOTRA:
SHRI PARMESHWAR KUMAR AGARWALLA:

Will the Minister of INDUSTRY be pleased to state:

(a) what is the present rate of industrial growth in the country;

(b) whether it is a fact that country's industrial growth rate continues to be sluggish for the last few years;

(c) if so, the reasons therefor; and

(d) the steps taken/proposed to be taken in the matter?

THE MINISTER OF INDUSTRY (SHRI SIKANDER BAKHT): (a) and (b) the growth rate during the current year, April-Sept. 1998 is 3.6% as compared to 6.0% during the comparable period last year. The overall industrial performance since 1990-91 is given below:

Year	Indexes of Industrial Production* (Growth in %)
1990-91	8.3
1991-92	0.6
1992-93	2.3
1993-94	6.0
1994-95	8.4
1995-96	12.7
1996-97	5.6
1997-98	6.6
1998-99 (Apr-Sep)	3.6

* Index of Industrial Production upto 1993-94 is on Base year (1980-81=100) and after 1993-94 is on the new base (1993-94=100)

(c) The slow down in industrial growth can be attributed to both the domestic and external factors. Domestic factors include weak demand on account of inadequate investment in infrastructure sectors, like power, ports and transport, and slow down in general investment mainly due to capital market conditions and partly due to corporate restructuring in some industries in order to become internationally competitive. On the external side, the export growth has been negative which has been aggravated by fall in world exports.

The demand has been slackening for basic goods like steel, cement, commercial vehicles, capital goods as well as consumer durables. This has resulted in cut back of production by the industries and build-up of inventories.

Export growth declined to (-) 3.28% during April-September 1998 following significant declaration from 21.4% in 1995-96 to 4% in 1996-97 and 2.6% in 1997-98. As exports constitute 39.7% of total manufacturing output in the country, the decline in exports has adversely impacted industrial production.

(d) In order to arrest the slowdown in industrial growth Government have taken various measures during the Budget 1998-99 and thereafter to stimulate and revive industrial growth. The package of measures announced in the Budget inter alia, included.

(i) de-licensing of coal and lignite, and petroleum refining to attract larger inflow of capital (sugar was also subsequently delicensed).